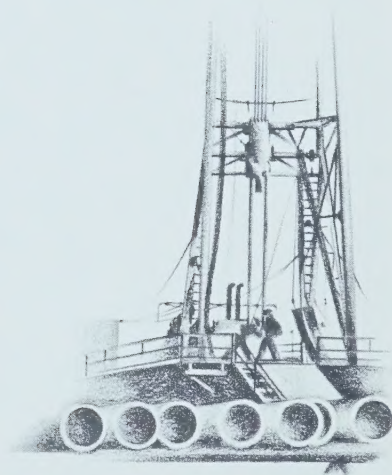


AR36

DOMESTIC
PETROLEUM
LIMITED



INTERIM
REPORT

June 30, 1968

Financial

Financial results showed the following increases in the first half of 1968 compared to the same period in 1967:

Gross income increased	16% to \$12,017,000.
Cash flow increased	19% to \$ 7,083,000.
Net income increased	19% to \$ 4,946,000.

Production

Production to June 30, 1968, averaged 24,153 net barrels per day of oil, natural gas liquids and oil equivalent of gas. This is an increase of 16% over the 20,855 net barrels per day produced in the first half of 1967.

Drilling

Drilling operations for the 6 months resulted in the completion of 17 oil wells (12.7 net) and 15 gas wells (11.5 net). These include successful wells in the Zama, Willesden Green, Brownfield/Provost, Little Bow, Pembina and Bistcho areas in Alberta and the Slave area in British Columbia.

Land

Land holdings at June 30, 1968, totalled 14,779,216 gross acres (12,828,481 net acres) of oil and gas rights. This is a 15% increase amounting to 1,673,833 net acres acquired since March 31, 1968.

North Zama

Ten oil wells and 5 gas wells were completed on Dome acreage in the North Zama area during the first 6 months. This brings Dome's ownership in this field to 31 oil wells (21.5 net) and 11 gas wells (6.5 net). Thirty of the oil wells are also dual-zone gas producers. Drilling is continuing in this area at locations where access is possible during the summer months.

Provost/Brownfield

Six gas wells were completed during the first half of 1968 in the general Provost/Brownfield area of eastern Alberta. Each of these wells extended the known producing areas and earned Dome substantial acreage blocks. Gas sales from this area will commence November, 1969.

Willesden Green

Five successful oil producers have been drilled on Company acreage in the Willesden Green field this year increasing Dome's holdings to 46 net oil wells in this field. The Company has acquired an additional 3,088 net acres in this field in the first half of 1968 and drilling is continuing.

LPG Plant

An arrangement has been entered into for the construction by Alberta Natural Gas Company of facilities to remove propane, butane and condensate from the gas stream owned by Alberta and Southern Gas Co. Ltd. These facilities will be constructed on a cost of service basis on behalf of Dome and Pan American Petroleum Corporation. Initial plant capacity will be 925 million cubic feet per day of gas yielding approximately 10,000 barrels of product per day which will be owned in equal shares by Dome and Pan American. Dome and Pan American will handle fractionation, marketing and transportation of the products which will be moved in the Interprovincial pipeline to markets in Eastern Canada and the United States.

Application has been made to the Alberta Conservation Board for permission to remove 15,000 barrels per day of propane from the Province. This volume will include the estimated 8,000 barrels per day of propane to be derived from the Alberta Natural Gas plant.

Arctic Area

Panarctic Oils Ltd.'s \$20,000,000 exploration program in the Arctic Islands is obtaining encouraging results. A large seismic crew, two gravity meter crews and a surface geological party are working in the area and drilling operations are scheduled to commence early in 1969.

Dome holds a 4.06% interest in Panarctic and is the interim operator of this program involving 44,000,000 acres in Canada's Arctic Islands. Dome owns 5,784,000 net acres in these islands.

Dome owns additional Arctic acreage in the off-shore Mackenzie River Delta (2,230,158 net acres) and the Canoe Lake area (142,190 net acres), as indicated on the accompanying map.

A major oil discovery was recently announced by Atlantic Richfield and Humble Oil and Refining on the Arctic coast of Alaska, approximately 250 miles west of Dome's Mackenzie Delta acreage. This discovery enhances the oil and gas prospects of the entire Arctic area, including the Arctic Islands, as it appears to be located in the same sedimentary basin and has an approximately similar stratigraphic section. Greatly increased exploration and drilling activity is anticipated.

As it will take a number of years to develop the reserves and producibility sufficient to support a pipeline out of the Alaskan Arctic area, the industry does not anticipate any adverse effect on the United States markets for Canadian crude oil over the short term. Over the long term, the projected major increases in United States crude oil demand should readily be able to absorb the anticipated increased production of Alaskan and Canadian conventional crude oil.

If this Alaskan oil is pipelined across Western Canada to the Chicago area, it should permit Canadian oil to participate on a broader basis in supplying the rapidly expanding United States Mid-West markets.



CONSOLIDATED STATEMENT OF INCOME

Six Months Ended June 30, 1968 and 1967

	1968	1967
INCOME:		
Oil and gas sales after royalties	\$ 7,672,000	\$ 6,729,000
Propane and other product sales	3,883,000	3,413,000
Other income	462,000	247,000
	<u>12,017,000</u>	<u>10,389,000</u>
DEDUCT:		
Operating expenses	2,450,000	2,033,000
Cost of propane and other products sold	1,054,000	1,012,000
General and administrative expenses (net)	263,000	361,000
Interest	1,167,000	1,032,000
	<u>4,934,000</u>	<u>4,438,000</u>

CASH FLOW	<u>7,083,000</u>	<u>5,951,000</u>
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DEDUCT:		
Depletion	1,047,000	894,000
Depreciation	1,052,000	854,000
Amortization	38,000	38,000
	<u>2,137,000</u>	<u>1,786,000</u>
NET INCOME	<u>\$ 4,946,000</u>	<u>\$ 4,165,000</u>

Income per share for six months ended June 30:

Outstanding shares	3,347,362	3,324,677
Gross income	\$3.59	\$3.12
Cash flow	2.12	1.79
Net income	1.48	1.25

THIS STATEMENT IS UNAUDITED.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six Months Ended June 30, 1968 and 1967

	1968	1967
SOURCE OF FUNDS:		
Cash income from operations	\$ 7,083,000	\$5,951,000
Proceeds from debenture issue	15,000,000	—
Proceeds from term bank loans	—	2,820,000
Proceeds from issue of capital stock	78,000	74,000
	<u>22,161,000</u>	<u>8,845,000</u>
APPLICATION OF FUNDS:		
Expenditures for property, plant and equipment	8,629,000	8,127,000
Reduction of long-term debt	4,125,000	673,000
Increase in other assets	239,000	(8,000)
	<u>12,993,000</u>	<u>8,792,000</u>
INCREASE IN WORKING CAPITAL	<u>\$ 9,168,000</u>	<u>\$ 53,000</u>

THIS STATEMENT IS UNAUDITED.

	Six Months	
	1968	1967
Production		
Oil and natural gas liquids production (net barrels)	2,996,676	2,751,057
Daily oil and natural gas liquids production (net barrels)	16,465	15,200
Natural gas production (million cubic feet)	26,254	19,965
Daily gas production (million cubic feet)	144.2	110.3
Total daily oil, natural gas liquids and oil equivalent of gas production (net barrels)	24,153	20,855
Sulphur production (long tons)	5,556	2,597
Daily sulphur production (long tons)	31	14
Net wells capable of production:		
Oil	354	347
Gas	144	121

water port facilities on the Pacific Coast and contains a thick section of marine sediments and well-developed structures. A site has been selected for a 10,000-foot test well to be drilled in 1969.

Hudson Bay

During the past quarter, Dome made another substantial land acquisition involving 1,456,126 net acres in the offshore Hudson Bay sedimentary area. Extensive exploration programs are scheduled by major oil companies in the area of Dome's holdings.

South Alaska

In the fourth quarter, the Company filed on approximately 270,000 lease acres onshore in the Gulf of Alaska area, as shown on the accompanying map. The sedimentary basins in this area have oil seeps and previously drilled wells have encountered oil and gas shows. Major oil companies hold most of the acreage adjoining these properties.

Arctic Islands

Panarctic Oils Ltd. plans to commence drilling operations in the Canadian Arctic Islands in March, 1969. Dome is the operator of this 50,000,000-acre exploration project and holds a 4.06% interest in Panarctic as well as 5,784,000 net acres in the Arctic Islands.

PROCESSING

Alberta Natural Gas - LPG Plant

Dome and Pan American Canada Oil Company, Ltd. have received permission from the Alberta Conservation Board to remove up to 12,300 barrels per day of propane from the Province. Most of this propane will be produced by the extraction plant to be built by Alberta Natural Gas Company under a cost of service arrangement with Dome and Pan American. The plant will be capable of processing 925,000,000 cubic feet of gas per day and will recover approximately 11,000 barrels per day of product. This product will

be owned in equal shares by Dome and Pan American, and moved via the Interprovincial pipeline to fractionation plants to be built at Sarnia, Ontario, and Superior, Wisconsin. The fractionated product will be marketed in Eastern Canada and the United States.

Trans-Canada - LPG Plant

Dome and Trans-Canada Pipe Lines Limited have reached agreement, in principle, for the construction of facilities to extract natural gas liquids from up to 1,500,000,000 cubic feet per day of Trans-Canada's gas. The plant is scheduled ultimately to produce 15,000 barrels per day of propane, butanes and natural gasoline.

The 1968 Annual Report will be mailed to all shareholders in early April.

AR36

DOME PETROLEUM LIMITED

Interim report



INTERIM
REPORT
Dec. 31, 1968

FINANCIAL

The financial results of Dome's 1968 operations were as follows:

Gross income increased	12% to \$24,460,000 or \$7.29 per share.
Cash flow increased	18% to \$14,410,000 or \$4.29 per share.
Net income increased	20% to \$10,060,000 or \$3.00 per share.

(All 1968 figures are unaudited)

PRODUCTION

Oil, natural gas liquids and oil equivalent of gas production averaged 24,500 net barrels per day in 1968. This represents a 15% increase over 1967's average of 21,238 net barrels per day.

DRILLING

The year's drilling program resulted in the completion of 42 oil wells (29.3 net) and 30 gas wells (23.0 net). Drilling activity in 1968 was concentrated in the Zama, Willesden Green and Provost/Brownfield areas in Alberta.

LAND

Land holdings at December 31, 1968, totalled 19,593,000 gross acres (15,931,000 net acres) of oil and gas rights. This is a 45% increase in net acreage from the 11,003,613 net acres held at the end of 1967.

EXPLORATION

Bowser Basin

Dome acquired 1,486,915 acres in the Bowser Basin of northwestern British Columbia early in 1968. During the summer, geological and geochemical studies were carried out in this area, following which Dome acquired an additional 1,636,296 acres. The Company's Bowser holdings now total 3,123,211 gross acres (2,342,408 net). This unexplored sedimentary basin lies within 20 miles of deep

